

Message Text

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PAGE 01 BEIRUT 12786 250720Z

12

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

RSC-01 USIA-15 PRS-01 SP-02 EB-06 COME-00 TRSE-00

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R 241418Z OCT 74 ZDK
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 950

UNCLAS BEIRUT 12786

E.O. 11652: N/A

TAGS: EFIN, LE

SUBJECT: GOL PROPOSES TAX ON PROFIT ON REAL ESTATE TRANSACTIONS

1. THE GOL HAS SUBMITTED TO PARLIAMENT A DRAFT LAW TAXING PROFIT ON REAL ESTATE TRANSACTIONS (BOTH LAND AND BUILDING). IF THE DIFFERENCE BETWEEN SELLING PRICE AND ORIGINAL PURCHASE (AS DECLARED TO THE AUTHORITIES) IS UNDER LL 5,000, NO TAX IS IMPOSED. ABOVE THIS AMOUNT, HOWEVER, THE TAX IS TO RANGE FROM 5PCT ON PROFITS ON LL 5,000-LL 15,000, UP TO 35PCT ON PROFITS IN E CESS OF LL 500,000. THE TAX WOULD APPLY TO REAL ESTATE SALES BY INDIVIDUALS, BUT NOT BY REAL ESTATE FIRMS, WHERE TRANSACTIONS ARE ALREADY TAXED.

2. THE ALLEGED PURPOSE OF THE MEASURE IS TO RAISE ADDITIONAL REVENUE FOR THE STATE, BUT IT WOULD ALSO SERVE TO DAMPEN REALOZBVGO TRANSACTIONS, WHICH HAVE CONTRIBUTED SIGNIFICANTLY TO INFLATIONARY TRENDS. IT IS DIFFICULT TO PREDICT WHEN THE DRAFT WILL BECOME LAW (THER IS ALREADY OPPOSITION FROM "INFLUENTIAL" SOURCES). ON THE OTHER HAND, INASMUCH AS THE DRAFT LAW WAS DECLARED TO BE AN EMERGENCY, THE CABINET WOULD BE IN A POSITION TO ENACT IT DIRECTLY IF NO ACTION IS TAKEN BY THE PARLIAMENT AFTER BEING IN SESSION FOR FORTY DAYS.

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Message Attributes

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Disposition Approved on Date:
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Disposition Event:
Disposition History: n/a
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